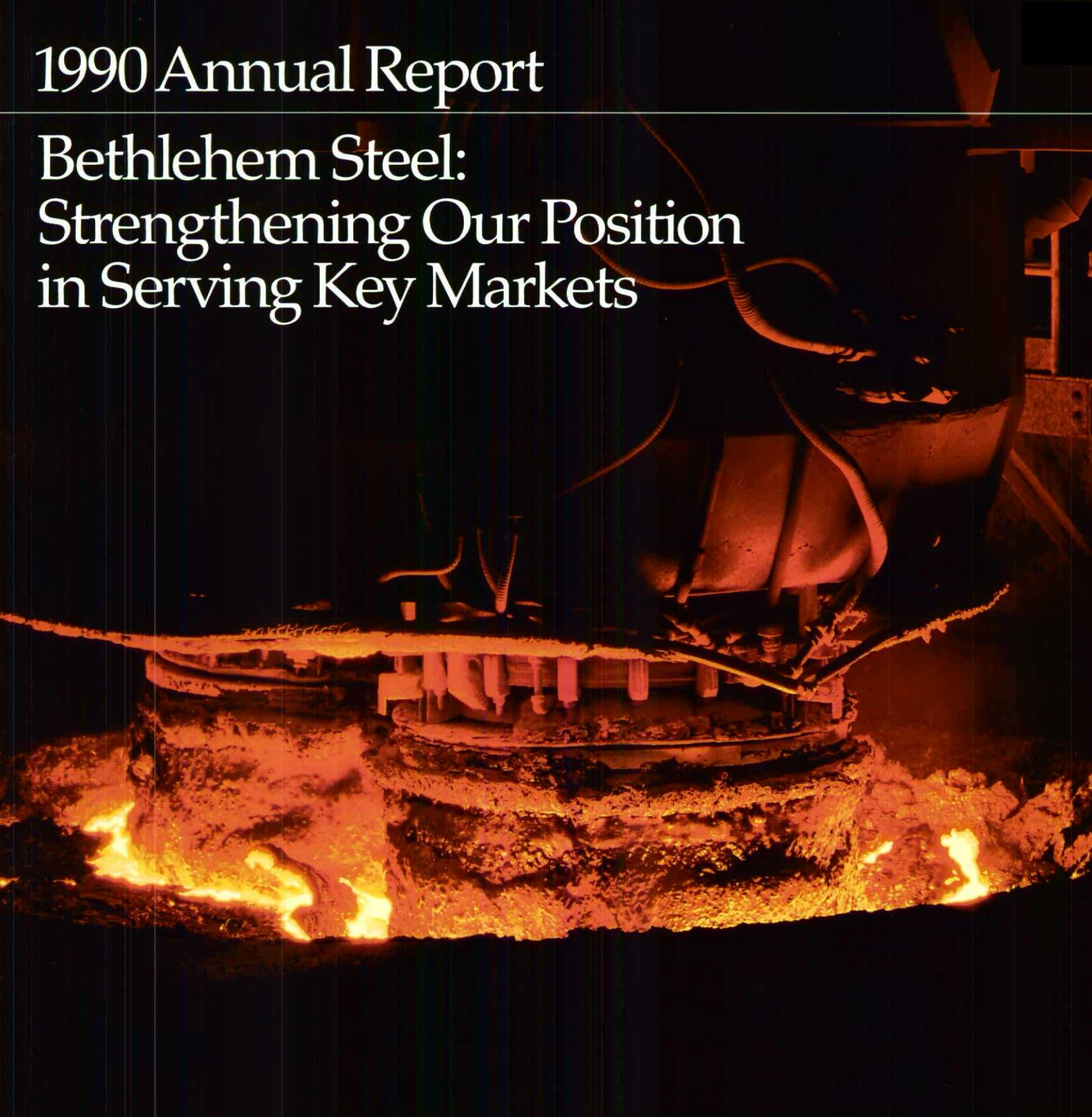


1990 Annual Report

Bethlehem Steel: Strengthening Our Position in Serving Key Markets



Bethlehem Steel Corporation is the nation's second largest integrated steel producer, engaged primarily in the manufacture and sale of a wide variety of steel mill products. Bethlehem also produces and sells coal and other raw materials, repairs ships and offshore drill rigs, and manufactures forgings, castings, railroad cars and trackwork.

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Highlights

(dollars in millions, except per share data)

	1990	1989	1988
For The Year			
Net sales	\$4,899.2	\$5,250.9	\$5,488.8
Estimated restructuring losses — net	550.0	105.0	113.0
Income (loss) from operations	(443.3)	267.4	426.0
Extraordinary gains	—	—	11.4
Net income (loss)*	(463.5)	245.7	403.0
Net income (loss) per Common share — primary	(6.45)	2.93	5.32
Capital expenditures	488.0	421.3	303.9
Depreciation	305.7	325.3	333.6
Utilization of production capability	68%	76%	80%
Raw steel production (net tons in thousands)	10,924	12,181	12,855
Steel products shipped (net tons in thousands)	8,865	9,779	10,303
Average number of employees receiving pay	29,600	30,500	32,900
At Year End			
Book value per Common share	\$ 15.56	\$ 22.37	\$ 19.59
Cash and cash equivalents	273.5	530.5	507.4
Total debt	454.8	480.2	543.3
Total capital lease obligations	209.0	243.9	278.7
Stockholders' equity	1,489.0	2,002.9	1,790.8
Debt as a percent of invested capital	31%	27%	31%
Capital expenditures authorized	\$ 596	\$ 710	\$ 440
Orders on hand	\$ 1,336	\$ 1,370	\$ 1,550

*Excluding the effects of estimated restructuring losses, net income was \$86.5 million in 1990, \$350.7 million in 1989 and \$516.0 million in 1988.

Cover

Top photo shows the new \$50 million vacuum degasser at our Burns Harbor, Ind., plant preparing to process a ladle of molten steel. The degasser will strengthen Bethlehem's position in several important markets by providing a new

family of ultra-low-carbon sheet and plate steels which can be formed into large, complex parts for innovative automotive, machinery and durable equipment applications. Lower photos show our steel products in such key markets as:

Construction

A strikingly modern Minneapolis office complex was designed with a roof fabricated from our prepainted Galvalume sheet.

Automotive

This sleek new car is one of many 1991 models using our coated sheet steels to provide a combination of superior surface finish and corrosion protection.

Machinery

Combines for harvesting wheat and other farm machinery use our high-strength plates for their rugged framework.

Service Centers

Many of our products are stocked in service centers for processing and distribution to thousands of customers in steel-consuming industries.

Chairman's Letter

We have concentrated our resources on making our steel operations competitive and profitable, restructuring our various businesses and rebuilding our financial strength. This strategy has helped us to become a much stronger company and a leading producer of high-quality cost-competitive steel.

During 1990, Bethlehem continued to implement the corporate strategy we have been following since 1986. Accordingly, we have concentrated our resources on making our steel operations competitive and profitable, restructuring our various businesses and rebuilding our financial strength. This strategy has helped us to become a much stronger company and a leading producer of high-quality cost-competitive steel. Since my letter to you in last year's Report, we have made progress on a number of important projects.

■ At our Sparrows Point plant, we completed the modernization of our tin mill, relined and upgraded "L" blast furnace, made significant progress in modernizing the hot-strip mill and repairing the coke ovens and placed contracts for construction of a new 48-inch hot-dip galvanizing line.

■ At our Burns Harbor plant, we completed the installation of a new vacuum degasser and placed contracts for construction of a new 72-inch hot-dip galvanizing line.

■ In January of this year, we signed a letter of intent with British Steel covering discussions to consider forming an equally-owned joint venture involving most of our structural and rail products operations in Bethlehem and Steelton, Pennsylvania. This alliance, if consummated, would combine the resources of two of the world's major steelmakers to create an internationally competitive business able to fully meet the market requirements for these products.

■ At our Bar, Rod and Wire Division, we announced that we are considering a restructuring and modernization plan to improve its competitiveness. This plan includes more than \$100 million in capital improvements, but is dependent upon obtaining a more competitive labor agreement with the United Steelworkers.

■ We continued with our restructuring activities, including improvements in the operations of our BethForge and Baltimore Marine Divisions, the sale of two Great Lakes ore vessels and the announcement of our intention to sell our Freight Car Division.

■ We continued to rebuild our financial strength through further reductions in debt and substantial contributions to our pension funds and by expanding our sources of liquidity through new financings.

1990 Results

The pursuit of our strategy had a significant impact on 1990 financial results, as indicated by the reported net loss of \$464 million in 1990 compared to net income of \$246 million in 1989. The 1990 loss included a \$550 million net charge principally in connection with restructuring and the potential joint venture involving our structural and rail operations. We also incurred higher operating costs of about \$100 million and were required to limit steel shipments as a result of the modernization and repair projects at Sparrows Point. We will continue to incur higher costs at Sparrows Point in 1991 in connection with some of these projects. We feel the long-term benefit to Bethlehem from both the potential joint venture and the modernization and repair projects far outweighs the short-term adverse effect on our financial



Walter F. Williams

The Sparrows Point and Burns Harbor plants now represent about 80% of our steel business and are key to Bethlehem's future success. That's why we've been devoting so much of our focus and capital in recent years to improving and modernizing their operations.

results. Our 1990 operating results were also adversely affected by extremely competitive steel market conditions which resulted in a decline in our average realized prices, particularly at year end.

Progress at Sparrows Point and Burns Harbor

As a result of capital expenditures of over \$1.1 billion in the past decade, our Sparrows Point plant now has excellent primary steel-making facilities, including one of the largest and most efficient blast furnaces in the western hemisphere and a slab caster with an annual capacity approaching 3.6 million tons. During 1991, we will complete the modernization of the plant's hot-strip mill. Construction has also begun on the new galvanizing line which will produce coated sheet primarily for the construction industry and enable the plant to provide a richer mix of value-added products. This line is scheduled to be completed during the second half of 1992. With the completion of these projects, Sparrows Point will be able to compete head-on with any competitor.

Burns Harbor already is America's premier integrated steel plant. It has many world-class facilities, including two highly productive blast furnaces, hot metal desulfurization, vacuum degassing, a ladle metallurgy station, two slab casters, fully computerized hot and cold mills, and a continuous sheet annealing line. We believe it is the most productive integrated steel plant in North America. During 1990, the plant became the first sheet steel producer in the nation to receive the prestigious General Motors' Mark of Excellence award for outstanding supplier performance. The award was sponsored by the Cadillac Motor Car Division — a 1990 winner of the Malcolm Baldrige National Quality Award.

At our electrogalvanizing joint venture in Walbridge, Ohio, Bethlehem developed the capability to produce a zinc-nickel coating and to apply a composite organic coating on sheet steel — primarily for automotive applications — all in a single pass. This is currently the only line in North America with that capability. Bethlehem was the first North American producer to become a qualified supplier for these products to Ford, Mazda and Nissan.

The Sparrows Point and Burns Harbor plants now represent about 80% of our steel business and are key to Bethlehem's future success. That's why we've been devoting so much of our focus and capital in recent years to improving and modernizing their operations.

Pennsylvania Operations

As previously mentioned, we have announced plans to improve the competitiveness of our three Pennsylvania operations — at Bethlehem, Steelton and Johnstown — which produce structural steel and piling, railroad rails, and bars, rods and wire products. The markets for some of these products are severely depressed, and the plants face severe competitive pressures because of substantial excess capacity in their product lines. However, we believe that the implementation of the plans under consideration for these operations will make them competitive for the longer term. Our Bar, Rod and Wire Division also received the General Motors' Mark of Excellence award, sponsored by the Saginaw Division.

Environmental Matters

Bethlehem is well aware of its responsibility to be a good corporate citizen, and to respect and thereby protect our environment. We've

Despite the difficult and uncertain market conditions, we remain intent on making further significant progress in improving our operations, restructuring our businesses and rebuilding our financial strength. We are moving in the right direction, and I am confident that Bethlehem will meet the challenges of the future.

had a formal environmental protection program in place for nearly 50 years and, over that time, we've demonstrated a record of steady accomplishment. We are now removing more than 95% of the pollutants from our air emissions and water discharges. In fact, some of our operations capture close to 100% of their pollutants.

To achieve those results, we have spent more than \$650 million for environmental capital improvements since 1970 and are currently spending about 10% to 15% of our capital expenditure budget on environmental controls. To maintain and operate this equipment, we spend about \$125 million each year.

During 1990, Congress enacted significant new amendments to the Clean Air Act which will force the steel industry to equip its coke oven batteries with additional emission controls to meet progressively higher standards through the year 2020. Based on our present understanding of the new standards, we believe that our coke ovens can be brought into compliance and that our future capital spending for environmental controls should continue to be in the range of 10% to 15% of our capital expenditure budget.

No discussion of Bethlehem and the environment is complete without recognition of the important contribution that steel plays in the nation's growing recycling and solid waste management efforts. Steel is the most recycled material in the world, and in the United States last year more than 60% of all steel was produced from recycled steel. That's about 60 million tons of scrap that doesn't end up as a waste disposal problem. From cans to cars, old bridges to barges, desks to doorknobs — steel is reused again and again.

Trade Matters

Steel demand is easing throughout most of the world, and we are concerned that this may result in surges of unfairly traded steel imports into our markets which would impede our drive to improve our competitiveness. We are carefully monitoring this situation and will be prepared to file trade cases, if appropriate. In the meanwhile, it is imperative that U.S. trade laws not be weakened as a result of the pending Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade. We strongly support the need for meaningful results from ongoing multilateral negotiations to reduce steel trade barriers throughout the world.

Outlook

The outlook for the year 1991 is very uncertain. The level of steel demand will depend upon the severity and length of the current recession, the war in the Gulf and other uncertainties. We currently estimate that 1991 domestic industry shipments will be about 79 million tons, down about 7% from 1990. Despite the difficult and uncertain market conditions, we remain intent on making further significant progress in improving our operations, restructuring our businesses and rebuilding our financial strength. We are moving in the right direction, and I am confident that Bethlehem will meet the challenges of the future.



Walter F. Williams
Chairman and
Chief Executive Officer

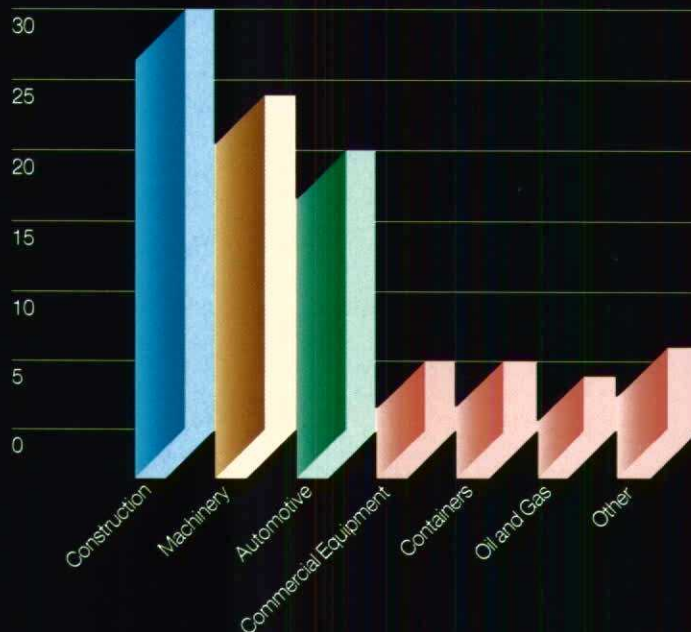
January 30, 1991

Bethlehem's Markets

Bethlehem Steel is strengthening its position in serving key markets for the 1990s by:

- Anticipating and meeting customer needs
- Improving product quality and customer service
- Developing new products
- Implementing new technologies
- Improving productivity and reducing costs
- Upgrading existing facilities
- Building new sheet coating lines

1990 Steel Consumption in the United States
(millions of tons)



Construction

The construction market is the nation's largest market for steel products, consuming almost 30 million tons of steel in 1990 — and Bethlehem Steel is the nation's largest steel supplier to that market.

At our Sparrows Point, Md., plant, work is heading down the homestretch on the more than \$200 million modernization of the hot-strip mill. With new slab reheating furnaces, reversing roughing mill, coil box, crop shear, descalers and coil transport system, the hot-strip mill will produce a higher quality product at competitive cost for shipment directly to customers and for further processing by the plant's sheet finishing facilities. One of these facilities will be the new hot-dip galvanizing line now under construction which is scheduled for completion in the second half of 1992. This new line will provide the plant with additional capacity to produce galvanized sheets for the growing light construction market which fabricates coated sheets into attractive, corrosion-resistant building and roofing panels.

The construction market also uses large tonnages of steel plate for fabrication into bridges, buildings and other structures. With plate mills at Burns Harbor and Sparrows Point, Bethlehem is the nation's largest plate producer, offering a wide range of plates, including high-strength and alloy grades to meet customers' diverse and demanding requirements.

Our Structural Products Division in Bethlehem, Pa., is a major producer of structural products and produces the widest range of structural steel sections in the country. Thousands of tons of structurals go into heavy construction projects in hundreds of locations around the country. In 1991, the Division will expand its range of products by introducing a new, 40-inch high, wide-flange section — 4 inches larger than any other wide-flange section produced in this country. The Division is also the nation's only producer of hot-rolled sheet piling for such projects as piers and retaining walls.

In January 1991, Bethlehem signed a letter of intent with British Steel to complete a feasibility study to form an equally-owned joint venture involving most of our structural and rail products operations in Bethlehem and Steelton, Pa. This potential alliance would combine the resources of two of the world's major steelmakers to create an internationally competitive business able to fully meet the market requirements for these products.

Bridges, highways, airports, seaports, power plants — all are critical parts of America's infrastructure, and much of it needs rebuilding. With its broad spectrum of high-quality construction products and superior experience and technical support, Bethlehem is committed to help rebuild America's infrastructure — now and into the 21st Century.



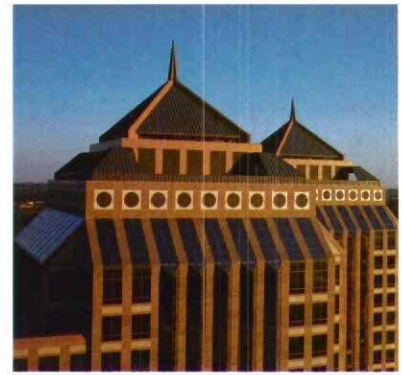
1. New roughing stand is already in place as part of Sparrows Point's hot-strip mill modernization program.

Thousands of tons of Bethlehem structurals went into buildings in downtown Cleveland (photo below), scene of several major steel construction projects in 1990.

2. Prepainted Galvalume was used for the attractive roof of a 400-unit retirement village in Jackson, Mississippi.

3. Carlson Center office complex in Minneapolis also used prepainted Galvalume for its distinctive roofline.

2



3





Automotive



1. Electrogalvanized sheet is one of several types of coated sheet steel we produce for automotive use.

2. Members of GM's Cadillac Division presented Burns Harbor with the Mark of Excellence award in November 1990.

3. The Mark of Excellence banner flies at Burns Harbor and Johnstown, signaling outstanding quality and performance.

Ford, General Motors, Chrysler and Honda are among our automotive industry customers (photo at left) for steel products.

The automotive industry in the United States produced some 6.1 million cars and 3.7 million trucks in 1990 and, as a whole, consumed about 20 million tons of steel. One of Bethlehem's objectives is to be a premier producer of coated sheet steels for this important market. Our progress toward this objective was recognized last November when our Burns Harbor plant became the first major sheet steel producer to earn the General Motors' Mark of Excellence award for outstanding supplier performance. Burns Harbor was rigorously evaluated by teams from GM's Cadillac Division — the division which itself won the coveted Malcolm Baldrige National Quality Award in 1990. GM's Mark of Excellence award recognizes Burns Harbor's outstanding performance in five areas: quality, cost, delivery, management and technology — and the plant's ability to achieve continuous improvement in these areas.

As part of our continuing commitment to serving the automotive market with superior coated sheet products, we recently began construction at Burns Harbor of a new coating line capable of producing 450,000 tons a year of hot-dip galvanized and galvanized sheets. Scheduled to be in production in 1993, this state-of-the-art line will provide coated sheets with improved surface for better paintability, more uniform coating for better weldability and improved mechanical properties for better formability.

Today, Bethlehem is a supplier of automotive steel products to General Motors, Ford and Chrysler and to Honda, Mazda, Nissan and Isuzu plants in the United States.

Bethlehem's automotive sheet products include electrogalvanized sheet from Burns Harbor, hot-dip galvanized sheet from our operations in Lackawanna, N.Y., and a new zinc-nickel sheet from our joint venture in Walbridge, Ohio. By the middle of the decade, Bethlehem will have the capability of producing two million tons a year of advanced coated sheet products, enhancing its leadership positions in the automotive and light construction markets.

While sheet steel for gleaming automobile bodies is the most visible automotive product, Bethlehem also supplies substantial tonnages of automotive steel from its Bar, Rod and Wire Division, headquartered in Johnstown. Bars are used to make axles, coil springs, gears and steering shafts. Rods are made into bolts and other fasteners and drawn into wire for tire cord and brake cable. As a result of its outstanding quality and performance, the Bar, Rod and Wire Division received GM's Mark of Excellence award in January 1991.



Our steel goes into farm machinery that harvests wheat on the Great Plains of North America (photo above) and in many countries of the world.

1. High-strength steel plate forms the framework of tough earth-moving machinery for demanding construction and mining jobs.

2. High-quality bar products are essential to manufacture machinery components.

3. High-performance plate begins with high-quality slabs produced by continuous casters at Burns Harbor and Sparrows Point.





Machinery

Almost 24 million tons of steel were consumed by the U.S. machinery market in 1990. Some of it was fabricated into farm equipment such as tractors and combines which plant and harvest wheat on the Great Plains. Some of it was made into giant earth-moving equipment used in construction and mining. And some of it went into metalworking equipment, electrical equipment and industrial equipment.

These machines and equipment must function in very demanding work environments — hour after hour, day after day. They require high-quality steel, principally plates and bars, that must possess extraordinary characteristics of strength and toughness, yet be easy to form, weld and fabricate.

A large portion of the plate we ship to our machinery customers from our plate mills at Burns Harbor and Sparrows Point consists of high-performance grades, all of which are products of steel technology and many of which were pioneered by Bethlehem. The development of high-performance plate, for example, involves many areas of Bethlehem's technological competence including basic research, product testing and applications, and steel mill operations. At Burns Harbor and Sparrows Point, hot metal desulfurization, ladle treatment and continuous casting combine to produce slabs for plates that have superior attributes of internal soundness, surface quality, toughness, formability and weldability. And plate rolling mills equipped with computer controls and laser alignment produce finished plates to precise dimensional accuracy.

The machinery market also requires high-quality bar products such as those produced on our Bar, Rod and Wire Division's world-class 13-inch bar mill in Lackawanna in a variety of shapes, up to 2.75 inches in diameter. The mill's unique automatic bar gauge continuously measures bar diameter and makes micro adjustments to produce bars that are extremely consistent in cross section. Billets for these bars are produced from steel made in Johnstown's modern electric furnace, ladle metallurgy and vacuum degassing facilities.



Service Centers and Other Customers

Service Centers: Although the steel service center industry is not an end-use market, it is the largest single customer group for the domestic steel industry. In 1990, service centers bought over 21 million tons of steel products, or about 25% of steel industry shipments. They serve as steel supermarkets for a wide variety of products and also further process steel for customers — chopping bars into short pieces, cutting steel plate into discs, slitting wide coils of sheet into thin strips. They serve more than 300,000 manufacturers and fabricators nationwide, including those in the construction, automotive and machinery markets. Last year, more than 40% of Bethlehem's shipments went to service centers, processors or converters.

Commercial Durables: Manufacturers of office furniture, computers and other commercial durable equipment consumed over 5 million tons of steel in 1990. Today's high-tech office products are characterized by the outstanding fit and finish of their steel components. They require a sheet steel with superior mechanical and metallurgical consistency and exceptional surface quality — such as the AccuForm sheet produced at Burns Harbor.

Containers: More than 35 billion steel cans were shipped in 1990, consuming almost 5 million tons of highly recyclable steel. At Sparrows Point, we produce a full line of tin mill products including tin plate, electrolytic chromium-coated steel, black plate and electrolytic tin-coated steel. To improve quality and service at this mill, we completed a \$20 million program in 1990 which included installing more sophisticated process control computers, more precise gauge controls and handling equipment for larger coils. Steel cans now hold 92% of the food can market and are a growing factor in the beverage can market. In 1990, new steel can-making capacity and steel's economic advantage and recyclability resulted in a 19% increase in steel beverage can shipments, compared to only 5% for aluminum.

Oil and Gas: The oil and gas industry used about 4 million tons of steel in 1990, including about 800,000 tons for large-diameter (over 16-in. OD) line pipe. Our Rail Products and Pipe Division in Steelton, Pa., is a major producer of large-diameter line pipe, and our Burns Harbor and Sparrows Point plate mills are suppliers of steel plate to other line pipe manufacturers.



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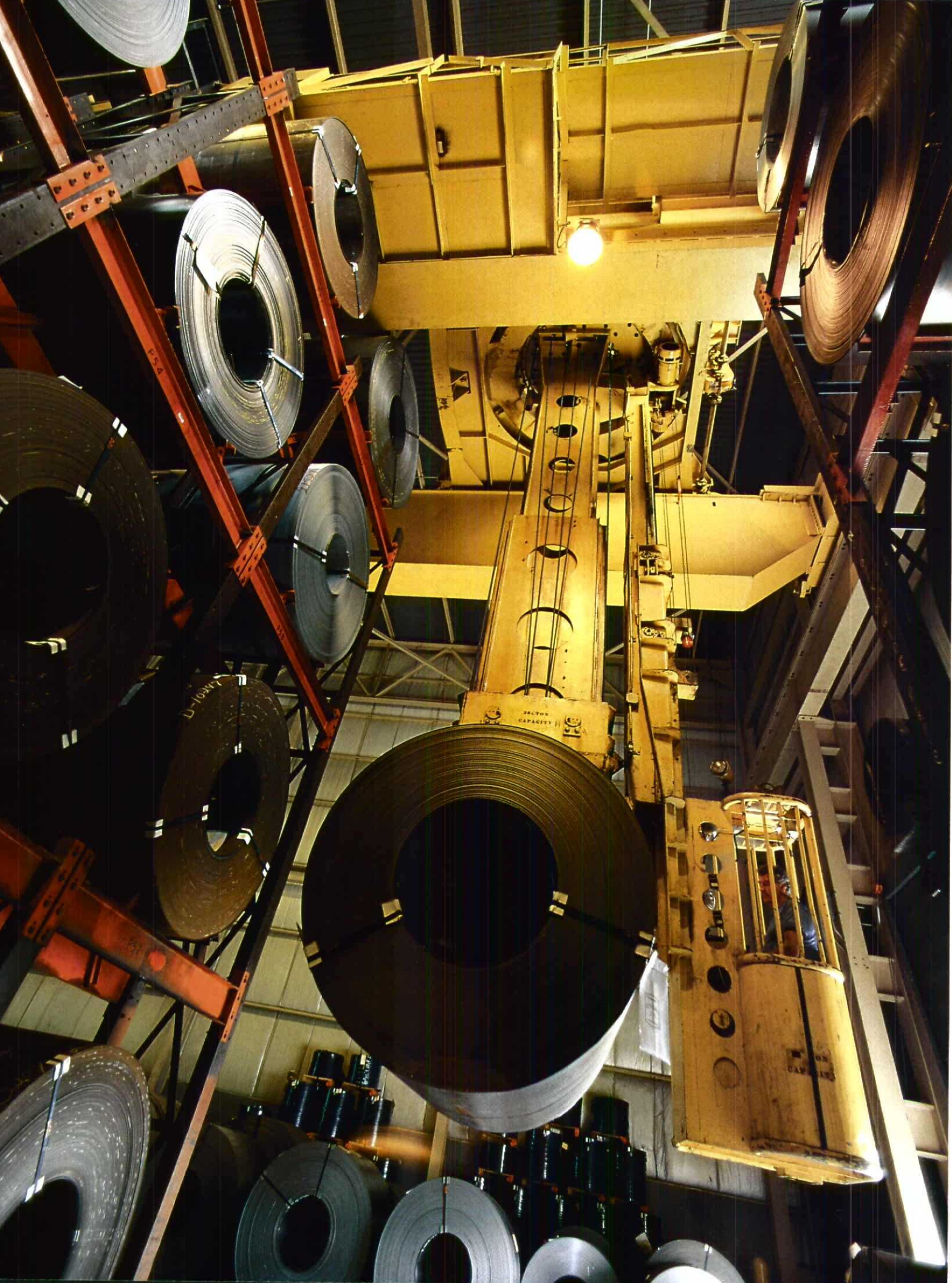
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1. High-tech steel office furniture is one of the products made from the steel consumed by the commercial durables segment.

2. Oil and gas pipelines use thousands of tons of steel plate a year.

3. These products are just a few of the canned goods made from our tin mill products.

Service centers stock, process and distribute steel products (photo at right) to thousands of customers in other industries.



Financial Review and Operating Analysis

General

Bethlehem reported a net loss of \$464 million in 1990 as a result of a \$550 million net restructuring charge. This restructuring charge is principally in connection with a potential joint venture with British Steel plc and the proposed modernization and restructuring of Bethlehem's structural and rail products operations in Bethlehem and Steelton, Pennsylvania. See Note C to the Consolidated Financial Statements. Bethlehem had net income of \$246 million in 1989 and \$403 million in 1988. Results for 1989 and 1988 included \$105 million and \$113 million in restructuring losses.

Excluding the effects of these net restructuring charges, net income was \$87 million in 1990 compared to \$351 million in 1989 and \$516 million in 1988. Lower steel prices and shipments and higher operating costs, particularly at the Sparrows Point plant in connection with various modernization and repair projects, were the principal causes of the decline in 1990's operating results.

Segment Results

Basic Steel Operations. The Basic Steel Operations segment had losses from operations of \$425 million in 1990 compared to income from operations of \$406 million in 1989 and \$528 million in 1988. This segment's results for 1990 include the previously mentioned \$550 million net charge. Income from operations in 1988 included \$75 million in restructuring losses.

Domestic steel industry shipments in 1990 were approximately 85 million tons compared to 84 million tons in both 1989 and 1988. Industry shipments were higher in 1990, despite a moderate decline in steel consumption, because of a reduction in steel imports and a slight increase in customers' steel inventories. Imports of steel mill products, excluding semifinished steel, declined in 1990 to an estimated 15.8% of apparent supply from 16.2% in 1989 and 18.4% in 1988. Steel imports increased during the second half of 1990, however, from relatively low first-half levels.

Even though industry shipments were slightly higher in 1990 than in 1989, our average realized prices declined in 1990 as a result of competitive pressures. The Basic Steel Operations segment's steel shipments also declined in 1990 to 8.6 million net tons from 9.5 million net tons in 1989 and 10.1 million net tons in 1988. This 1990 decline was primarily attributable to lower shipments of semifinished steel from the unusually high 1989 levels and to capacity constraints arising from mill shutdowns for modernization work at the Sparrows Point plant and several primary furnace outages. Raw steel production was 10.9 million tons in 1990 compared to 12.2 million tons in 1989 and 12.9 million tons in 1988. Utilization of production capability was 68% in 1990 compared to 76% in 1989 and 80% in 1988.

The effects of changes in volume, average realized prices and product mix on total steel mill product revenues during the last two years were as follows:

	Increase (Decrease) from prior year	
	1990	1989
Volume	(9)%	(5)%
Realized prices	(3)	2
Product mix	2	(1)
Total Revenues	(10)%	(4)%

In addition to lower realized prices and shipments in 1990, our Basic Steel Operations segment incurred higher operating costs, principally at our Sparrows Point plant which incurred approximately \$100 million in increased operating costs in connection with the modernization of the hot-strip and tin mills, accelerated coke oven repairs and a blast furnace reline. Higher costs will continue to be incurred at the Sparrows Point plant in 1991 in connection with the hot-strip mill modernization and the accelerated coke oven repairs, although the total amount of such costs is expected to be less than that incurred in 1990. The final outage in connection with the hot-strip mill modernization is currently scheduled for 42 days beginning in April 1991. Bethlehem's employment costs will also increase in 1991 as a result of increases under our labor agreement with the United Steelworkers of America (USWA). See "Employees and Employment Costs" on page 17.

Severe market and competitive pressures continue to affect the Bar, Rod and Wire Division. During 1990, Bethlehem announced that it was considering a plan to improve the competitiveness of the Bar, Rod and Wire Division and return it to long-term profitability. The plan includes more than \$100 million in major facilities improvements, but is dependent upon obtaining a more competitive agreement on labor costs with the USWA in the near term. Discussions with union representatives commenced during December and are ongoing.

Our coal operations produced 9.4 million tons of coal in 1990 compared to 9.6 million tons in 1989 and 10.6 million tons in 1988. Lower production levels in 1990 resulted from the sale of one mine and restructuring operations at another. Trade shipments of bituminous coal were 5.9 million tons in 1990, 6.2 million tons in 1989 and 5.8 million tons in 1988.

Our iron ore operations continued operating at near capacity levels during 1990 and are expected to operate at those levels during 1991.

Percentage of Bethlehem's Net Sales by Segment and Major Product

	1990	1989	1988
Basic Steel Operations			
Steel mill products:			
Sheets, strip and tin mill products	49.3%	49.0%	48.9%
Plates	13.5	14.3	13.8
Bars, rods and semifinished	8.5	11.8	12.1
Structural shapes and piling	8.4	8.8	9.8
Other steel mill products	3.4	2.6	2.6
Other products and services (including raw materials)	7.6	6.9	6.1
	90.7	93.4	93.3
Steel Related Operations	9.3	6.6	6.7
	100.0%	100.0%	100.0%

Percentage of Steel Mill Product Shipments by Principal Market

<i>(based on tons shipped)</i>			
	1990	1989	1988
Principal Market			
Service Centers, Processors and			
Converters	43.7%	44.9%	46.6%
Transportation (including automotive)	19.9	18.8	19.7
Construction	15.3	15.8	16.5
Machinery	6.8	6.2	6.0
Other	14.3	14.3	11.2
	100.0%	100.0%	100.0%

Includes shipments to Bethlehem's manufacturing and fabricating operations.

Raw Material Consumption Provided by Bethlehem and Affiliates

<i>(percent)</i>			
	1990	1989	1988
Iron Ore	72%	67%	70%
Coal	57	54	64

Steel Related Operations. This segment had losses from operations of \$18 million in 1990 compared to losses from operations of \$138 million in 1989 and \$102 million in 1988. The 1989 losses included \$105 million in restructuring losses. The 1988 losses included \$38 million in restructuring losses and a \$30 million charge for adjustments on a Navy contract.

During 1990, operations at the Baltimore Marine and BethForge Divisions improved as we proceeded with their restructuring. The BethForge Division also entered into a joint venture, known as Centec, with a subsidiary of Usinor-Sacilor, a French steelmaker, to produce and sell cast iron rolls.

During 1990, Bethlehem announced its intention to sell the Freight Car Division as part of its ongoing strategy to divest non-strategic assets. This division reported higher operating income in 1990 than in 1989 or 1988.

Liquidity and Financial Resources

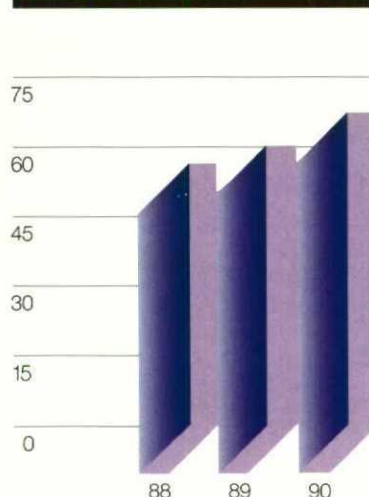
Cash and cash equivalents were \$274 million at December 31, 1990 compared to \$531 million at December 31, 1989. The decline resulted from reduced cash provided from operating activities, high levels of capital spending and continued pension funding.

Inventories at December 31, 1990 were \$58 million higher than at December 31, 1989. Inventories will continue to build throughout the first quarter of 1991 in order to support the planned outage of the Sparrows Point hot-strip mill during the second quarter of 1991.

We realized cash proceeds of \$73 million in 1990 primarily from the sale of two of our four Great Lakes ore vessels. We currently plan to generate about \$100 million from asset sales in 1991 principally from the sale of our Freight Car Division and the South Buffalo Railway.

During 1990, we reduced our debt and capital lease obligations by approximately \$60 million to \$664 million. However, as a result of the \$550 million net charge to equity, debt as a percentage of invested capital increased to 31% at December 31, 1990 compared to 27% at December 31, 1989 and 31% at December 31, 1988. Debt is expected to increase during 1991 primarily as a result of borrowings to fund construction of the two new hot-dip galvanizing lines at the Sparrows Point and Burns Harbor plants.

Percentage of Raw Steel Produced by Continuous Casting (percent)



Liquidity (dollars in millions) Consisting of cash and cash equivalents and available bank credit



During 1990, we contributed \$276 million to our pension funds. However, our unfunded accumulated benefit obligation only decreased to \$827 million at December 31, 1990 from \$879 million at December 31, 1989 as a result of lower earnings on pension fund assets due to market conditions and our increased pension obligation resulting from the previously mentioned restructuring charge. We will consider making additional contributions to our pension funds during 1991 as appropriate.

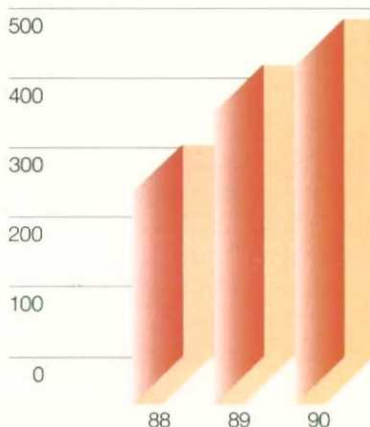
In December 1990, we entered into a \$270 million debt financing with a consortium of Japanese trading companies to fund a major portion of the more than \$300 million in capital costs for the two new hot-dip galvanizing lines to be built at our Sparrows Point and Burns Harbor plants. No borrowings were outstanding under this financing at December 31, 1990.

In September 1990, we entered into a new \$100 million unsecured revolving credit agreement with a group of Japanese banks for an initial term of two years. Borrowings under the agreement are expected to be used primarily in conjunction with the financing provided by the trading companies to fund capital costs for the two new hot-dip coating lines. Borrowings of \$10 million were outstanding under this agreement at December 31, 1990.

At December 31, 1990, no borrowings were outstanding under our 1987 revolving credit agreement of \$500 million. Our 1982 revolving credit agreement expired on December 1, 1990.

Major uses of cash during 1991 include capital expenditures, anticipated contributions to our pension plan and the repayment of \$74 million of debt and capital lease obligations. We expect to maintain an adequate level of liquidity throughout 1991.

Capital Expenditures
(dollars in millions)



Debt and Capital Lease Obligations
(dollars in millions)



Common Stock Market and Dividend Information

Period	1990			1989		
	Prices*		Dividends Paid	Prices*		Dividends Paid
	High	Low		High	Low	
First quarter	\$21.125	\$16.000	\$.10	\$28.500	\$22.500	—
Second quarter	20.375	15.125	.10	24.875	20.250	—
Third quarter	17.625	11.000	.10	23.250	19.750	\$.10
Fourth quarter	15.125	10.625	.10	21.375	15.375	.10
			\$.40			\$.20

*The principal market for Bethlehem Common Stock is the New York Stock Exchange. Bethlehem Common Stock is also listed on the Midwest Stock Exchange. The high and low sales prices of the Common Stock as reported in the consolidated transaction reporting system are shown. The trading symbol for Bethlehem Common Stock is BS.

Capital Expenditures

Capital expenditures were \$488 million during 1990 compared to \$421 million in 1989 and \$304 million in 1988. We currently estimate that capital expenditures for 1991 will be approximately \$500 million. The estimate of capital expenditures for 1991 does not include possible expenditures for the major facility improvements being considered for the Bar, Rod and Wire Division.

During 1990, we completed a reline of the large blast furnace at the Sparrows Point plant and continued the modernization of the plant's 68-inch hot-strip mill which is scheduled for completion during the second quarter of 1991. We also entered into the major equipment and supply contracts for the new 48-inch hot-dip galvanizing line to be built at the Sparrows Point plant and the new 72-inch hot-dip galvanizing line to be built at the Burns Harbor plant. The Sparrows Point line is scheduled for completion during the second half of 1992 and the Burns Harbor line is scheduled for completion in 1993.

Approximately \$374 million of new capital expenditures were authorized in 1990. At December 31, 1990, the estimated cost of completing authorized capital expenditures was approximately \$596 million compared to \$710 million at December 31, 1989.

Environmental Matters

Bethlehem is subject to increasingly stringent federal, state and local environmental laws and regulations concerning, among other things, air emissions, waste water discharges, and solid and hazardous waste disposal. Bethlehem incurs substantial costs in complying with these environmental laws and regulations. Our total expense for environmental compliance was approximately \$125 million in each of the last three years, while our environmental compliance-related capital expenditures were \$76 million in 1990, \$27 million in 1989 and \$10 million in 1988.

Congress passed legislation in 1990 that imposes more stringent environmental control requirements under the Clean Air Act. Coke-making facilities will have to meet progressively more stringent standards over the next 30 years. Bethlehem operates coke-making facilities at its Burns Harbor and Sparrows Point plants, at the Structural Products Division and at Lackawanna, New York. While we continue to evaluate the impact these and other new standards will have on our operations, we believe that our operations will be able to comply and that Bethlehem's future capital expenditures for environmental controls should be in the range of 10% to 15% of our capital budget.

Based on existing environmental laws and regulations, Bethlehem currently estimates that capital expenditures for environmental compliance will be approximately \$80 million in each of the next two years. However, estimates of the future capital expenditures and operating costs required for environmental compliance are necessarily imprecise due to numerous uncertainties, including the evolving nature of the regulations, the possible imposition of more stringent requirements, the availability of new technologies and the timing of expenditures. Bethlehem does not believe the future costs of environmental compliance will have a material adverse effect on its consolidated financial position or on its competitive position with respect to other domestic steelmakers who are subject to the same environmental requirements.

Employees and Employment Costs

Under Bethlehem's 1989 labor agreement with the USWA, standard hourly wage rates increased an average of \$1 per hour, effective January 1, 1991 and will increase \$.50 per hour,

effective January 1, 1992. Beginning in August 1991, quarterly inflation recognition payments equal to 1% of hourly wage rates times hours worked will be required, generally, for each 1% increase in the Consumer Price Index in excess of 3% annually.

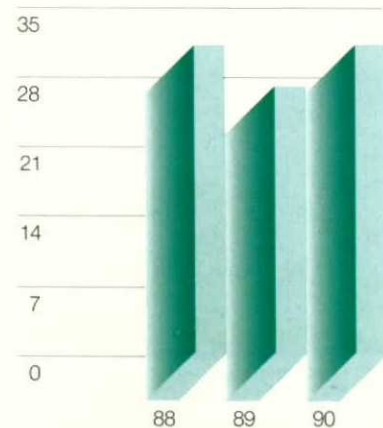
The agreement also provided for a new profit sharing plan, effective January 1, 1990, equal to 10% of annual corporate income before taxes, unusual items and expenses applicable to the plan. The amount expected to be distributed to employees under this plan for 1990 is approximately \$10 million.

Approximately 20,000 employees are covered by the USWA labor agreement. For additional information concerning Bethlehem's employment costs, see the table below.

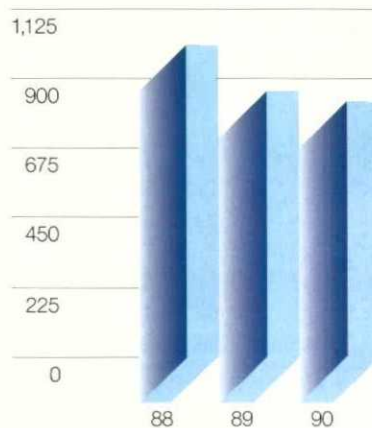
Employment Cost Summary – All Employees

<i>(dollars in millions, except per employee and per hour data)</i>	1990	1989	1988
Salaries and Wages	\$1,142.4	\$1,102.0	\$1,131.3
Employee Benefits (including retirees):			
Pension Plans	182.6	188.4	211.8
Medical and Insurance	222.8	189.2	205.6
Payroll Taxes	111.6	111.5	110.5
Union Employee Investment and Profit Sharing Plans	19.3	58.3	92.2
Workers' Compensation	46.4	49.1	45.5
Supplemental Unemployment, Savings Plan and Other	26.9	33.1	28.0
Total Benefit Costs	609.6	629.6	693.6
Total Employment Costs	\$1,752.0	\$1,731.6	\$1,824.9
Employment Costs as a Percent of Net Sales	35.8%	33.0%	33.3%
Average Number of Employees	29,600	30,500	32,900
Average Cost Per Employee:			
Salaries and Wages	\$ 38,596	\$ 36,130	\$ 34,385
Benefits (including retirees)	20,593	20,640	21,084
Total	\$ 59,189	\$ 56,770	\$ 55,469
Average Cost Per Hour:			
Salaries and Wages	\$ 19.12	\$ 18.42	\$ 17.17
Benefits (including retirees)	10.20	10.37	10.39
Total	\$ 29.32	\$ 28.79	\$ 27.56

Debt as a Percentage of Invested Capital
(percent)



Unfunded Pension Obligation
(dollars in millions)



New Accounting Standard for Postretirement Employee Benefits Other Than Pensions

In December 1990, the Financial Accounting Standards Board issued a new accounting standard for postretirement employee benefits other than pensions, principally health care benefits. Beginning in 1993, this new standard requires that all employers account for these benefits on an accrual basis rather than the current pay-as-you-go (cash) method. This new accounting requirement, however, will not require companies to change their current cash funding of these benefits.

This new standard allows companies to choose one of two alternatives in accounting for the unrecognized, unfunded amount of these estimated future benefits, i.e., the unfunded Accumulated Postretirement Benefit Obligation (APBO). The APBO can be recognized immediately at the date of implementation or it can be amortized over 20 years. We have not yet decided which of the alternative methods allowed we will adopt. In our case, immediate recognition of the APBO

would require a significant liability to be recognized on our balance sheet with a corresponding reduction in our stockholders' equity. Alternatively, amortizing the unfunded APBO would increase our annual expense accrual for these benefits. We do not currently know the amount of the APBO at January 1, 1993 (the date we are required to implement the new standard).

Bethlehem's Segments

For financial reporting purposes, we have disaggregated the results of our operations and certain other financial information into two segments: Basic Steel Operations and Steel Related Operations. Financial information with respect to these segments is included in Note B to the Consolidated Financial Statements.

Products and services of the Basic Steel Operations segment include a wide variety of steel mill products described in the table on page 15; raw materials, such as iron ore and coal, which are used in our own steelmaking operations and sold to trade customers; and railroad and lake shipping operations.

The Steel Related Operations segment manufactures and fabricates various iron and steel products for the machinery, transportation and utility industries. Products include railroad cars and parts, and forgings and castings. The Baltimore Marine Division, which is also part of Steel Related Operations, repairs vessels and marine drilling and production equipment for the marine and oil and gas industries and the United States Government, and manufactures industrial products.

The products and services of the Basic Steel Operations and Steel Related Operations segments are distributed through our own sales organizations, which have sales offices at various locations in the United States.

Bethlehem's Plants and Facilities

Bethlehem has five raw steel producing plants and certain related facilities:

Burns Harbor, Ind., Plant. Principal products are steel plate for the construction, machinery and service center markets and hot-rolled sheet, cold-rolled sheet, zincmetal and electrogalvanized sheet for the automotive, service center, container and appliance markets. The plant also operates a galvanizing line in Lackawanna, N.Y. Bethlehem also participates in a joint venture which owns and operates an electrogalvanizing line at Walbridge, Oh.

Sparrows Point, Md., Plant. Principal products are steel plate, hot-rolled sheet, cold-rolled sheet, galvanized sheet, Galvalume sheet, tinplate and semifinished steel for the construction, appliance, service center, container and other metals markets.

Structural Products Division (Bethlehem, Pa., Plant). Principal products are structural steel shapes and piling for the building and construction markets. Also produced at this location are ingot molds and foundry products for the energy, defense and metals industries.

Rail Products and Pipe Division (Steelton, Pa., Plant). Principal products are railroad rails and switches, large-diameter pipe, bars and semifinished steel for the rail transportation, construction, oil and gas, and other metals markets.

Bar, Rod and Wire Division (Johnstown, Pa., Plant). Principal products are steel bars and rod for the automotive, conversion, fastener and machinery markets. The division also operates a bar mill in Lackawanna, N.Y., and a rod mill at the Sparrows Point plant.

Bethlehem also has the following manufacturing facilities and transportation and natural resource operations:

Manufacturing Facilities. 1 facility for the production of forgings and castings at Bethlehem, Pa.; 2 yards for ship and drill rig repair — 1 at Sparrows Point, Md., and 1 at Port Arthur, Tex.; and 1 freight car manufacturing facility at Johnstown, Pa.

Transportation. 5 shortline railroads serving Bethlehem operations at Sparrows Point, Md., Bethlehem, Johnstown and Steelton, Pa., and Lackawanna, N.Y.; 1 line-haul railroad serving coal mines near Johnstown, Pa.; and 2 vessels — 1 owned and 1 under long-term charter — transporting raw materials on the Great Lakes.

Coal. 6 mines and 6 cleaning plants in Pennsylvania and West Virginia producing metallurgical and steam coal and 1 facility producing coke.

Iron Ore. 3 operations in which Bethlehem has a partial interest: 1 in Minnesota, 1 in Canada and 1 in Brazil.

Consolidated Statements of Income

Year ended December 31

(dollars in millions, except per share data)

	1990	1989	1988
Net Sales	\$4,899.2	\$5,250.9	\$5,488.8
Costs and Expenses:			
Cost of sales	4,327.2	4,399.1	4,475.5
Depreciation (Note A)	305.7	325.3	333.6
Selling, administrative and general expense	159.6	154.1	140.7
Estimated restructuring losses — net (Note C)	550.0	105.0	113.0
Total Costs and Expenses	5,342.5	4,983.5	5,062.8
Income (Loss) From Operations	(443.3)	267.4	426.0
Net Financing Expense (Note D)	14.2	9.7	35.4
Income (Loss) before Income Taxes and Extraordinary Gains	(457.5)	257.7	390.6
Income Taxes (Note E):			
Provision for income taxes	(6.0)	(12.0)	(9.0)
Investment tax credit refund	—	—	10.0
Income (Loss) before Extraordinary Gains	(463.5)	245.7	391.6
Extraordinary Gains (Note F)	—	—	11.4
Net Income (Loss)	(463.5)	245.7	403.0
Dividend Requirements for Preferred and Preference Stock	(24.2)	(26.0)	(25.6)
Net Income (Loss) Applicable to Common Stock	<u>\$ (487.7)</u>	<u>\$ 219.7</u>	<u>\$ 377.4</u>
Income (Loss) per Common Share (Note A)			
Primary:			
Average shares outstanding (in thousands)	75,666	74,911	70,963
Income (loss) before extraordinary gains	\$ (6.45)	\$ 2.93	\$ 5.16
Extraordinary gains	—	—	.16
Net income (loss) per Common share	<u>\$ (6.45)</u>	<u>\$ 2.93</u>	<u>\$ 5.32</u>
Fully diluted:			
Average shares outstanding (in thousands)	75,670	82,342	82,053
Income (loss) before extraordinary gains	\$ (6.45)	\$ 2.86	\$ 4.77
Extraordinary gains	—	—	.14
Net income (loss) per Common share	<u>\$ (6.45)</u>	<u>\$ 2.86</u>	<u>\$ 4.91</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheets

December 31

(dollars in millions)

Assets

Current Assets:

Cash and cash equivalents (Note A)	\$ 273.5	\$ 530.5
Receivables, less allowances of \$19.2 and \$17.9 (Note F)	451.1	484.2
Inventories (Notes A and F)	468.3	410.3
Other current assets	10.3	10.2

Total Current Assets 1,203.2 1,435.2

Investments (Note A) 51.3 50.7

Property, Plant and Equipment, less accumulated depreciation of
\$4,985.6 and \$4,777.8 (Note A) 2,796.4 2,916.7

Miscellaneous Assets 57.9 47.6

Intangible Asset — Pensions (Note I) 273.3 343.1

Total Assets \$4,382.1 \$4,793.3

Liabilities and Stockholders' Equity

Current Liabilities:

Accounts payable	\$ 423.2	\$ 380.0
Accrued employment costs	155.6	190.6
Accrued taxes (Note E)	74.6	69.4
Debt and capital lease obligations (Notes F and G)	74.0	68.6
Other current liabilities	104.0	129.4

Total Current Liabilities 831.4 838.0

Pension Liability (Note I) 826.9 878.6

Long-term Debt (Note F) 415.8 446.6

Capital Lease Obligations (Note G) 174.0 208.9

Other Long-term Liabilities (Note C) 645.0 418.3

Stockholders' Equity (Notes J, K and L):

Preferred Stock —		
Authorized 20,000,000 shares; issued and outstanding:		
\$5.00 Cumulative Convertible Preferred Stock, at		
\$50.00 stated value, 2,500,000 shares	125.0	125.0
\$2.50 Cumulative Convertible Preferred Stock, at		
\$25.00 stated value, 4,000,000 shares	100.0	100.0
Preference Stock —		
Authorized 20,000,000 shares; issued and outstanding:		
5% Cumulative Convertible Preference Stock, at		
\$32.00 stated value, 2,606,333 and 2,975,768 shares	83.4	95.2
Common Stock — \$1 par value; Authorized 150,000,000 shares;		
Issued 77,864,212 and 77,215,282 shares	77.9	77.2
Held in treasury, 1,996,877 and 1,996,877 shares at cost	(59.6)	(59.6)
Additional Paid-in Capital	988.4	972.3
Retained Earnings	173.9	692.8

Total Stockholders' Equity 1,489.0 2,002.9

Total Liabilities and Stockholders' Equity \$4,382.1 \$4,793.3

The accompanying Notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Year ended December 31

(dollars in millions)

	1990	1989	1988
Operating Activities:			
Net Income (Loss)	\$ (463.5)	\$ 245.7	\$ 403.0
Extraordinary gains	—	—	11.4
Income (Loss) before extraordinary gains	(463.5)	245.7	391.6
Adjustments for items not affecting cash from operating activities:			
Depreciation	305.7	325.3	333.6
Estimated restructuring losses — net (Note C)	550.0	105.0	113.0
Other — net (including deferred taxes)	(17.1)	12.6	19.7
Working capital*:			
Receivables	33.1	61.6	(89.0)
Inventories	(58.0)	(43.9)	(61.4)
Accounts payable	43.2	29.8	50.3
Accrued taxes and employment costs	(29.8)	(33.7)	80.0
Investment tax credit refund receivable	—	—	130.0
Federal income tax payment	—	—	(99.6)
Other — net	(9.2)	4.1	20.5
Cash Provided from Operating Activities	354.4	706.5	888.7
Investing Activities:			
Capital expenditures	(488.0)	(421.3)	(303.9)
Cash proceeds from sales of businesses and assets	73.0	38.4	47.2
Collateral investments	19.6	10.1	208.4
Other — net	6.6	23.6	18.4
Cash Used for Investing Activities	(388.8)	(349.2)	(29.9)
Financing Activities:			
Pension funding — net (Note I)	(96.3)	(172.7)	(514.3)
Revolving credit borrowings (payments)	10.0	—	(240.0)
Long-term debt payments (Note F)	(35.5)	(63.5)	(72.6)
Capital lease payments (Note G)	(34.8)	(34.8)	(155.7)
Restructured facilities payments	(14.6)	(27.5)	(63.2)
Cash dividends paid (Note L)	(52.8)	(37.5)	(45.0)
Stock issued (Note L)	1.4	1.8	187.4
Cash Used for Financing Activities	(222.6)	(334.2)	(903.4)
Net Increase (Decrease) in Cash and Cash Equivalents	(257.0)	23.1	(44.6)
Cash and Cash Equivalents — Beginning of Period	530.5	507.4	552.0
— End of Period	\$ 273.5	\$ 530.5	\$ 507.4
Supplemental Cash Payment Information:			
Interest, net of amount capitalized	\$ 41.6	\$ 65.0	\$ 86.0
Income taxes (Note E)	\$ 1.2	\$ 9.0	\$ 105.7

*Excludes Financing Activities, Investing Activities, Investment tax credit refund receivable and Federal income tax payment.
The accompanying Notes are an integral part of the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

A. Accounting Policies

Principles of Consolidation — The consolidated financial statements include the accounts of Bethlehem Steel Corporation and all majority-owned subsidiaries and joint ventures.

Cash and Cash Equivalents — Cash equivalents consist primarily of overnight investments, certificates of deposit and other short-term, highly liquid instruments generally with original maturities at the time of acquisition of three months or less. Cash equivalents are stated at cost plus accrued interest, which approximates market.

Inventories — Inventories are valued at the lower of cost (principally LIFO) or market. Contract work in progress is valued at cost less billings. Estimated losses are recognized when first apparent and partial profits are based on percentage of completion.

Inventory values are:

	December 31	
(dollars in millions)	1990	1989
LIFO	\$ 405.2	\$ 347.0
FIFO	44.6	42.4
Contract work in progress less billings rendered ...	18.5	20.9
Total inventories	<u>\$ 468.3</u>	<u>\$ 410.3</u>

Our inventories valued at current cost are:

	December 31	
(dollars in millions)	1990	1989
Raw materials and supplies	\$ 383.5	\$ 367.5
Finished and semifinished products	555.5	504.8
Contract work in progress less billings rendered of \$61.5 and \$31.9	28.4	36.6
Total at current cost	967.4	908.9
Less excess of current cost over LIFO values	499.1	498.6
Total inventories	<u>\$ 468.3</u>	<u>\$ 410.3</u>

Certain LIFO inventory quantities have been reduced, resulting in charges to cost of sales at the lower costs prevailing in prior years compared to current year costs. These liquidations reduced cost of sales by \$10.2, \$15.4 and \$5.2 million in 1990, 1989 and 1988.

Investments — Investments in associated enterprises accounted for by the equity method were \$49.1 million and \$28.5 million at December 31, 1990 and 1989. Associated enterprises are primarily 50% or less interests in mining operations that provide a portion of our raw material requirements. Other investments, accounted for at cost, were \$2.2 and \$22.2 million at December 31, 1990 and 1989. These are principally collateral investments of restricted cash and marketable securities on deposit in connection with certain insurance and bonding requirements.

Property, Plant and Equipment — Property, plant and equipment is stated at cost. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense. Gains or losses on dispositions of property, plant and equipment are recognized in income. Interest is capitalized on significant construction projects.

Our property, plant and equipment by major classification is:

	December 31	
(dollars in millions)	1990	1989
Land (net of depletion)	\$ 109.8	\$ 111.3
Buildings	796.0	798.6
Machinery and Equipment:		
Steel Manufacturing	5,435.5	5,362.2
Other	929.9	1,143.1
	7,271.2	7,415.2
Less—Accumulated Depreciation	4,985.6	4,777.8
	2,285.6	2,637.4
Construction-in-Progress	510.8	279.3
Total	<u>\$2,796.4</u>	<u>\$2,916.7</u>

Depreciation — Depreciation, which includes amortization of assets under capital leases, is based upon the estimated useful lives of each asset group. The useful life is 18 years for most steel producing assets. Steel, other than blast furnace linings, and most raw material producing assets are depreciated on a straight-line basis adjusted by an activity factor. This factor is based on the ratio of production and shipments for the current year to the average production and shipments for the current and preceding four years at each operating location. Annual depreciation after adjustment for this activity factor is not less than 75% nor more than 125% of straight-line depreciation. Depreciation after adjustment for this activity factor was \$9.8 million less than straight-line in 1990, \$17.3 million more in 1989 and \$35.2 million more in 1988. Through December 31, 1990, \$36.1 million less accumulated depreciation has been recorded under this method than would have been recorded under straight-line depreciation.

The cost of blast furnace linings is depreciated on a unit-of-production basis. All other assets are depreciated on a straight-line basis.

Income (Loss) per Common Share — Primary income (loss) per Common share is calculated by dividing net income (loss) applicable to Common Stock (net income [loss] less dividend requirements for Convertible Preferred and Preference Stock) by the average shares of Common Stock and Common Stock equivalents outstanding. Common Stock equivalents represent the dilutive effect of the assumed exercise of certain outstanding stock options. The calculation of fully diluted income (loss) per Common share assumes the dilutive issues of Convertible Preferred and Preference Stock were converted into Common Stock at the beginning of the year. If the result of these assumed conversions is dilutive, the dividend requirements for Convertible Preferred and Preference Stock are reduced while the average shares of Common Stock and Common Stock equivalents outstanding are increased.

B. Industry Segment Information

(dollars in millions)	1990	1989	1988
Sales:			
Trade:			
Basic Steel Operations	\$4,439.8	\$4,906.9	\$5,119.4
Steel Related Operations	459.4	344.0	369.4
Intersegment:			
Basic Steel Operations	80.2	75.9	58.3
Steel Related Operations	47.6	82.5	90.5
Eliminations	(127.8)	(158.4)	(148.8)
Total	<u>\$4,899.2</u>	<u>\$5,250.9</u>	<u>\$5,488.8</u>
Estimated Restructuring Losses — net:			
Basic Steel Operations	\$ 550.0	\$ —	\$ 75.0
Steel Related Operations	—	105.0	38.0
Total	<u>\$ 550.0</u>	<u>\$ 105.0</u>	<u>\$ 113.0</u>
Income (Loss) from Operations:			
Basic Steel Operations	\$ (425.0)	\$ 405.6	\$ 528.0
Steel Related Operations	(18.3)	(138.2)	(101.9)
Corporate and Eliminations	—	—	(.1)
Total	<u>\$ (443.3)</u>	<u>\$ 267.4</u>	<u>\$ 426.0</u>
Shipments (tons in thousands):			
Basic Steel Operations	8,628	9,528	10,074
Identifiable Assets:			
Basic Steel Operations	\$3,554.9	\$3,581.2	\$3,508.3
Steel Related Operations	182.8	218.3	283.0
Corporate	644.4	993.8	657.2
Total	<u>\$4,382.1</u>	<u>\$4,793.3</u>	<u>\$4,448.5</u>
Depreciation:			
Basic Steel Operations	\$ 291.9	\$ 312.8	\$ 318.3
Steel Related Operations	13.8	12.5	15.3
Total	<u>\$ 305.7</u>	<u>\$ 325.3</u>	<u>\$ 333.6</u>
Capital Expenditures:			
Basic Steel Operations	\$ 471.3	\$ 407.3	\$ 283.6
Steel Related Operations	5.6	3.2	7.8
Corporate	11.1	10.8	12.5
Total	<u>\$ 488.0</u>	<u>\$ 421.3</u>	<u>\$ 303.9</u>

A general description of our segments and their products and services is contained in Financial Review and Operating Analysis under the heading "Bethlehem's Segments" on page 18 of this Report.

Intersegment sales are generally at market prices. Corporate assets consist primarily of cash and cash equivalents, investments and an intangible asset — pensions.

C. Estimated Restructuring Losses

On January 24, 1991, we signed a letter of intent with British Steel plc to complete a feasibility study to form an equally owned joint venture in the United States to produce and market structural and rail products. The proposed venture would restructure and combine into a single entity most of the assets of our existing structural and rail business units located in Bethlehem and Steelton, Pennsylvania and make a significant capital investment. In 1990, we recorded a \$550 million restructuring charge principally in connection with this proposed modernization, restructuring and venture. This charge also includes certain other steel assets and non-strategic coal mines and is net of a gain from the sale of two Great Lakes ore vessels. In 1989, we recorded a \$105 million loss for restructuring our Baltimore Marine and BethForge Divisions. In 1988, we recorded a \$113 million loss principally for divesting our wire rope, anthracite and Kentucky coal operations and for costs, primarily workers' compensation and environmental, at previously closed facilities. These amounts include certain pension costs related to the employees involved in these businesses and assets of \$113.7, \$28.1 and \$19.5 million for 1990, 1989 and 1988. Prior to 1988, we also recorded significant restructuring losses.

During 1990 and 1989, we charged \$14.6 and \$27.5 million for net payments and losses to the accrued liabilities established for restructuring. We also credited these accrued liabilities for proceeds of \$14.6 and \$36.9 million in 1990 and 1989 from the sale of certain related assets. Other long-term liabilities are primarily accrued employee benefit obligations other than pensions such as health care and workers' compensation.

D. Net Financing Expense

Our net financing expense consisted of:

(dollars in millions)	1990	1989	1988
Interest and Other Financing Costs:			
Interest expense	\$ 65.3	\$ 72.9	\$ 85.3
Other financing costs	.2	.2	.1
Less interest capitalized	(21.4)	(8.4)	(3.2)
Total	<u>44.1</u>	<u>64.7</u>	<u>82.2</u>
Interest and Other Income	29.9	55.0	46.8
Net Financing Expense	<u>\$ 14.2</u>	<u>\$ 9.7</u>	<u>\$ 35.4</u>

E. Taxes

We account for income taxes under Statement of Financial Accounting Standards No. 96, *Accounting for Income Taxes*.

The provision for income taxes consisted of:

(dollars in millions)	1990	1989	1988
Federal—current	\$ 2.0	\$ 5.0	\$ 5.0
State and Foreign—current	4.0	3.0	2.0
Total current	6.0	8.0	7.0
Federal—deferred	—	4.0	2.0
Total provision	\$ 6.0	\$ 12.0	\$ 9.0

The provision for income tax expense differs from the amount computed by applying the Federal statutory rate to pre-tax income (loss). The computed amounts and the items comprising the total differences are as follows:

(dollars in millions)	1990	1989	1988
Pre-tax income (loss):			
U.S.	\$ (474.2)	\$ 240.2	\$ 381.1
Foreign	16.7	17.5	9.5
Total	\$ (457.5)	\$ 257.7	\$ 390.6
Computed amounts	\$ (155.6)	\$ 87.6	\$ 132.8
Loss in excess of allowable carrybacks	155.6	—	—
Benefit from financial net operating loss carryforward	—	(72.9)	(103.1)
Percentage depletion	—	(7.6)	(9.2)
Dividend received deduction	—	(7.0)	(6.9)
Benefit from interest payment on prior years' Federal income tax deficiencies	—	—	(14.4)
Alternative minimum tax	2.0	9.0	7.0
State and foreign taxes	4.0	3.0	2.0
Other differences—net	—	(.1)	.8
Total provision	\$ 6.0	\$ 12.0	\$ 9.0

At December 31, 1990, Bethlehem had unused net operating loss carryforwards of approximately \$1.6 billion for Federal income tax purposes, \$1.1 billion for financial reporting purposes and \$500 million for alternative minimum tax purposes. The carryforwards expire in the years 1997 through 2005. The potential future tax benefits of these net operating loss carryforwards have not been recorded for financial reporting purposes because generally accepted accounting principles preclude their recognition.

In addition to income taxes, we incurred costs for certain other taxes as follows:

(dollars in millions)	1990	1989	1988
Employment taxes	\$ 111.6	\$ 111.5	\$ 110.5
Property taxes	26.3	26.7	28.3
State and foreign taxes	16.9	17.5	16.6
Federal excise tax on coal	8.1	8.5	9.7
Total other taxes	\$ 162.9	\$ 164.2	\$ 165.1

F. Long-term Debt

	December 31	
(dollars in millions)	1990	1989
Debentures:		
5.40% Due 1992	\$ 30.0	\$ 36.0
6 ⁷ / ₈ % Due 1999	18.8	18.8
9% Due 2000	41.3	41.3
8 ³ / ₈ % Due 2001	41.6	41.6
8.45% Due 2005	90.8	90.7
9 ⁵ / ₈ % Note Due 1991–1997	15.5	17.3
Pollution control and industrial revenue bonds:		
5 ¹ / ₄ % — 8.8%, Due 1991–2002	112.1	124.0
Variable interest at 50%–70% of prime rate, Due 1991–1996	70.3	82.3
Notes of consolidated subsidiaries:		
10%–12.75%, Due 1991–1995	27.0	31.0
Revolving credit agreements	10.0	—
Unamortized debt discount	(2.6)	(2.8)
Amounts due within one year	(39.0)	(33.6)
Total long-term debt	\$ 415.8	\$ 446.6

Maturities and sinking fund requirements at December 31, 1990 for the next five years were \$39.0 million in 1991, \$77.3 million in 1992, \$20.3 million in 1993, \$20.9 million in 1994 and \$23.7 million in 1995.

In December 1990, we entered into an agreement with a consortium of Japanese trading companies to provide up to \$270 million to finance a major portion of the costs to construct hot-dip coating lines at our Sparrows Point and Burns Harbor plants. We have entered into major equipment supply contracts for these projects and will begin borrowing under this financing in the first quarter of 1991. These loans will be repaid in equal semiannual installments over a seven-year period after construction is complete. Borrowings will be collateralized by the coating lines and incur interest based on the London Interbank Offered Rate. We may elect to convert the interest rate to a fixed rate after construction is completed. A 1/2 of 1% per annum commitment fee is charged on the unused loan commitment. No borrowings were outstanding at December 31, 1990.

In September 1990, we entered into a two-year, \$100 million unsecured revolving credit agreement with a group of Japanese banks. Borrowings under this agreement are expected to be used primarily in conjunction with the trading companies financing to fund costs to construct the two hot-dip coating lines, but can be used for general corporate purposes. Borrowings outstanding at December 31, 1990 were \$10 million, used to fund the capital costs of the coating lines, and incur interest based on the London Interbank Offered Rate. We pay a 3/8 of 1% commitment fee on the unused available credit.

Under our 1987 revolving credit agreement, we may borrow a total of \$500 million subject to collateral coverage requirements. The maximum loan amount under this credit agreement will be reduced by one-sixteenth quarterly over four years beginning March 15, 1992. Our accounts receivable and inventories are pledged as collateral for any borrowings and letters of credit under this credit agreement and for certain other debt obligations to participating banks. No borrowings were outstanding at December 31, 1990. Any borrowings

would incur interest based on the prime rate, certificate of deposit rates, or London Interbank Offered Rate. We pay a 1/4 of 1% per annum facility fee on the available credit and a 1/8 of 1% commitment fee on the unused available credit.

Bethlehem's revolving credit and trading company loan agreements contain restrictive covenants which require Bethlehem to maintain a minimum tangible net worth. At December 31, 1990 our tangible net worth exceeded the requirement by approximately \$1,700 million.

Bethlehem has entered into interest rate swap agreements to fix interest rates on a portion of its floating rate debt. At December 31, 1990, Bethlehem had three interest rate swap agreements outstanding, each having a notional principal amount of \$25 million. Two of these agreements were entered into in 1985 at a fixed rate of 11.95%, and mature in February 1992 and January 1995. The third agreement was entered into during 1990 at a fixed rate of 8.69% and matures in 2000 unless the counterparty elects to terminate the agreement in 1995.

During 1988, we retired debt early which resulted in extraordinary gains of \$11.4 million.

G. Leases

We lease certain manufacturing facilities and equipment under capital leases, the most significant of which cover the continuous casters at our Sparrows Point and Burns Harbor plants. The amounts included in property, plant and equipment for capital leases were \$381.0 million (net of \$122.8 million accumulated amortization) and \$408.8 million (net of \$95.0 million accumulated amortization) at December 31, 1990 and 1989. During 1988, we prepaid \$113 million on these caster leases which reduced our quarterly rental payments from \$12 million to \$9 million. We pay interest quarterly at 1 1/4% above the London Interbank Offered Rate.

Future minimum payments under noncancellable operating leases at December 31, 1990 were \$16.7 million in 1991, \$14.8 million in 1992, \$12.7 million in 1993, \$12.2 million in 1994, \$11.9 million in 1995 and \$58.8 million thereafter. Total rental expense under operating leases was \$44.0, \$37.8 and \$38.2 million in 1990, 1989 and 1988.

H. Commitments and Contingent Liabilities

Based generally on our proportionate ownership in certain iron ore associated enterprises (50% or less owned), we are entitled to receive our share of the ore produced and are committed to pay our share of their costs. We received 2.7 million net tons of iron ore from these enterprises in each year 1990, 1989 and 1988 at a net cost of \$82.3 million, \$85.2 million and \$83.6 million.

We have guaranteed debt of various businesses, including that of certain associated enterprises, totaling \$28.8 million at December 31, 1990.

At December 31, 1990, we had placed approximately \$245.9 million of purchase orders for additions and improvements to our properties.

In the ordinary course of our business, we are involved in various pending or threatened legal actions and environmental compliance matters. We believe that any ultimate liability arising from these actions will not have a material adverse effect on our consolidated financial position.

I. Postretirement Benefit Plans

We have noncontributory defined benefit pension plans which provide benefits for substantially all employees. In May 1989, the defined benefit pension plan for salaried employees, which had been frozen in December 1985, was reinstated and our defined contribution plan will be terminated. As a result, salaried employees have retroactively accrued additional defined benefits and the assets of the defined contribution plan have been applied to the defined benefit plan. These assets will be transferred to the Pension Plan after approval by the Internal Revenue Service. Defined benefits are based on years of service and the five highest consecutive years of pensionable earnings during the last ten years prior to retirement or a minimum amount based on years of service. We fund annually the amount required under ERISA minimum funding standards plus additional amounts as appropriate.

The following sets forth the plans' actuarial assumptions and funded status at year end together with amounts recognized in our consolidated balance sheets:

	December 31	
(dollars in millions)	1990	1989
Assumptions:		
Discount rate	9.25%	9.0%
Average rate of compensation increase	4.7 %	4.9%
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$3,970.9	\$4,029.2
Accumulated benefit obligation	\$4,080.9	\$4,159.6
Projected benefit obligation	\$4,379.3	\$4,453.5
Plan assets at fair value:		
Fixed income securities	2,023.4	1,988.4
Equity securities	974.1	1,048.6
Cash and marketable securities	256.5	244.0
Total plan assets	3,254.0	3,281.0
Projected benefit obligations in excess of plan assets	1,125.3	1,172.5
Unrecognized net gain	142.6	191.0
Unrecognized net obligation at January 1, 1987 being amortized over 15 years	(480.2)	(556.0)
Unrecognized prior service cost from plan amendments	(234.1)	(272.0)
Adjustment required to recognize minimum liability — intangible asset	273.3	343.1
Pension liability	\$ 826.9	\$ 878.6

The assumptions used in each year and the components of our annual pension cost are as follows:

<i>(dollars in millions)</i>	1990	1989	1988
Assumptions:			
Return on plan assets	10.0%	10.5%	10.5%
Discount rate	9.0%	9.5%	9.5%
Pension cost:			
Service cost — benefits earned during the period	\$ 45.9	\$ 33.8	\$ 20.8
Interest on projected benefit obligation	378.5	385.9	362.3
Return on plan assets — actual	(171.4)	(532.4)	(270.4)
— deferred	(147.7)	223.7	23.9
Amortization of initial net obligation	46.3	48.3	49.2
Amortization of unrecognized prior service cost from plan amendments	22.1	12.9	—
Pension cost	\$ 173.7	\$ 172.2	\$ 185.8

We also participate in multiemployer pension plans of certain labor unions that provide their members with defined benefit pensions.

The total cost of our pension plans follows:

<i>(dollars in millions)</i>	1990	1989	1988
Defined benefit plans	\$ 173.7	\$ 172.2	\$ 185.8
Defined contribution plan	—	6.9	16.0
PBGC premium, etc.	6.3	6.8	5.8
Multiemployer plans	2.6	2.5	4.2
Total cost	\$ 182.6	\$ 188.4	\$ 211.8

In addition to providing pension benefits, we currently provide certain health care and life insurance benefits for most retired employees. Health care benefits are paid through various third-party administrators based on claims incurred during the year. The expense of providing these benefits was \$100.9, \$82.0 and \$80.5 million for retirees during 1990, 1989 and 1988. In addition, we charged \$7.2, \$5.9 and \$4.9 million during 1990, 1989 and 1988 for such benefits to the accrued liabilities for restructuring (see Note C). The estimated cost of postemployment life insurance is accrued over the working lives of those employees expected to qualify for such benefits. This cost is funded annually and was \$7.0 million in 1990, and \$6.1 million in both 1989 and 1988. Life insurance trust fund assets are sufficient to cover approximately 80% of the actuarial present value of life insurance benefits for current retirees.

In December 1990, the Financial Accounting Standards Board issued a new accounting standard for postretirement employee benefits other than pensions, principally health care. Beginning in 1993, this new standard requires that all employers account for these benefits on an accrual basis rather than the current pay-as-you-go (cash) method. These new accounting requirements, however, will not change the cash funding of these benefits. The new standard allows two

alternatives in accounting for the unrecognized, unfunded Accumulated Postretirement Benefit Obligation (APBO). On or before January 1, 1993, the unfunded APBO can be recognized immediately or it can be amortized over 20 years. We have not yet decided which of these two methods we will adopt. Immediate recognition of the unfunded APBO would require a significant liability to be recognized on our balance sheet with a corresponding reduction in our stockholders' equity. Alternately, amortizing the unfunded APBO over 20 years combined with accruing postretirement benefit costs for current employees would increase our annual expense for these benefits. We do not currently know the amount of the APBO at January 1, 1993 (the date we are required to implement the new standard).

We are also required, under various union contracts, to make payments to multiemployer health and welfare plans to cover health and death benefits for certain active and retired employees. These payments were \$9.1, \$8.0 and \$9.1 million in 1990, 1989 and 1988.

J. Stockholder Rights Plan

In 1988, we adopted a Stockholder Rights Plan under which we declared a dividend of rights to purchase a new series of Preference Stock to holders of Common Stock. When exercisable, each right entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preference Stock at an exercise price of \$80 per unit. The rights will become exercisable only if a person or group acquires 20% or more of Common Stock or begins a tender offer or exchange offer which would result in that person or group beneficially owning 20% or more of Common Stock. Subsequently, upon the occurrence of certain events, holders of rights will be entitled to purchase Common Stock of Bethlehem or a third-party acquirer worth twice the right's exercise price. Until the rights become exercisable, we will be able to redeem them at one cent per right. The rights expire on October 18, 1998.

K. Stock Options

At December 31, 1990, we had options outstanding under our Stock Option Plans. The 1988 Stock Incentive Plan was approved by our stockholders on April 26, 1988. New options can be granted only under the 1988 Plan which reserved 3,000,000 shares of Common Stock for such use. At December 31, 1990, options on 1,794,420 shares of Common Stock were available for granting under the 1988 Plan. The option price is the fair market value of our Common Stock on the date the option is granted. Options issued under the 1988 Plan become exercisable either one or two years after the date granted and expire ten years from the date granted. Alternatively, options may be surrendered for the difference between the option price and the fair market value of the Common Stock on the date of surrender. Depending on the circumstances, option holders receive either Common Stock, cash or a combination of Common Stock and cash.

Changes in options outstanding during 1990 and 1989 under the Plans were as follows:

	Number of Options	Option Price or Range
Balance December 31, 1988	2,197,752	7 ³ / ₄ –30 ¹ / ₂
Granted	377,000	21 ³ / ₄
Terminated or cancelled	(93,309)	17–30 ¹ / ₂
Surrendered or exercised	(305,707)	7 ³ / ₄ –26 ¹ / ₈
Balance December 31, 1989	2,175,736	7 ³ / ₄ –30 ¹ / ₂
Granted	415,600	17 ¹ / ₂
Terminated or cancelled	(196,606)	17–30 ¹ / ₂
Surrendered or exercised	—	
Balance December 31, 1990	2,394,730	7 ³ / ₄ –30 ¹ / ₂

1,797,330 options outstanding were exercisable at December 31, 1990.

L. Stockholders' Equity

(shares in thousands and dollars in millions, except per share data)	Preferred Stock		Preference Stock		Common Stock \$1.00 Par Value		Additional Paid-In Capital	Retained Earnings	Common Stock Held in Treasury	
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount
Balance December 31, 1987	6,500	\$225.0	1,086	\$ 34.7	66,339	\$ 66.3	\$ 810.0	\$ 132.0	1,997	\$ 59.6
Net income for year								403.0		
Preferred Stock dividends								(45.0)		
Preference Stock:										
Stock dividend			54	1.7			(.4)	(1.3)		
Issued			2,259	72.4			(34.5)			
Converted			(128)	(4.1)	128	.1	4.0			
Common Stock issued					10,120	10.2	176.3			
Balance December 31, 1988	6,500	225.0	3,271	104.7	76,587	76.6	955.4	488.7	1,997	59.6
Net income for year								245.7		
Preferred Stock dividends								(22.5)		
Preference Stock:										
Stock dividend			161	5.2			(1.1)	(4.1)		
Issued			81	2.5			(.7)			
Converted			(537)	(17.2)	537	.5	16.7			
Common Stock:										
Dividends								(15.0)		
Issued					91	.1	2.0			
Balance December 31, 1989	6,500	225.0	2,976	95.2	77,215	77.2	972.3	692.8	1,997	59.6
Net loss for year								(463.5)		
Preferred Stock dividends								(22.5)		
Preference Stock:										
Stock dividend			147	4.7			(2.1)	(2.6)		
Issued			48	1.5			(.6)			
Converted			(565)	(18.0)	565	.6	17.4			
Common Stock:										
Dividends								(30.3)		
Issued					84	.1	1.4			
Balance December 31, 1990	6,500	\$225.0	2,606	\$ 83.4	77,864	\$ 77.9	\$ 988.4	\$ 173.9	1,997	\$ 59.6

Each share of the \$5.00 Cumulative Convertible Preferred Stock and the \$2.50 Cumulative Convertible Preferred Stock issued in 1983 is convertible into 1.77 and .84 shares of Common Stock, respectively, subject to certain events.

At December 31, 1987, dividends in arrears on our \$5.00 and \$2.50 Cumulative Convertible Preferred Stock were \$12.5 million and \$10.0 million, or \$5.00 and \$2.50 per share. During 1988, we paid these dividends.

In accordance with our 1986 labor agreement with the United Steelworkers of America (USWA), we issued approximately .05 million shares in 1990, .1 million shares in 1989 and 2.3 million shares in 1988 of a series of Preference Stock to a trustee under the Employee Investment Program. This stock has a stated value of \$32.00 per share, and a cumulative dividend of 5% per annum payable at our option in cash, Common Stock or additional shares of Preference Stock. Each share is entitled to vote with Common Stock on all matters and is convertible into one share of Common Stock.

We issued 10.0 million shares of Common Stock for \$184.0 million in 1988.

M. Quarterly Financial Data (Unaudited)

(dollars in millions, except per share data)

	1990				1989			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	\$ 1,215.3	\$ 1,275.4	\$ 1,208.2	\$ 1,200.3	\$ 1,402.5	\$ 1,433.6	\$ 1,269.7	\$ 1,145.1
Cost of sales	1,076.4	1,130.3	1,077.0	1,043.5	1,151.7	1,169.7	1,104.8	972.9
Estimated restructuring losses — net	—	—	—	550.0	55.0	50.0	—	—
Net income (loss)	21.3	21.9	10.1	(516.8)	64.7	84.1	46.9	50.0
Net income (loss) per Common share:								
Primary	\$.20	\$.21	\$.05	\$ (6.91)	\$.78	\$ 1.03	\$.54	\$.58
Fully Diluted	\$.20	\$.21	\$.05	\$ (6.91)	\$.75	\$.98	\$.53	\$.57

Report of Independent Accountants

To the Board of Directors and Stockholders of Bethlehem Steel Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and of cash flows present fairly, in all material respects, the financial position of Bethlehem Steel Corporation and its subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Pricewaterhouse

153 East 53rd Street
New York, NY 10022
January 30, 1991

Management Statement on Responsibility for Financial Information

The accompanying consolidated financial statements of Bethlehem Steel Corporation have been prepared in accordance with generally accepted accounting principles. Management has the primary responsibility for the information contained in the financial statements and in other sections of the Annual Report to Stockholders. In preparing the financial statements, management must make estimates and judgments based upon available information. To facilitate this financial reporting, management has communicated to all appropriate employees the requirements for accurate records and accounting.

Bethlehem maintains a system of internal accounting controls designed to provide reasonable assurance for the safeguarding of assets and the reliability of financial records. The system is subject to continuous review through a corporate-wide internal audit program with appropriate management follow-up action. Management recognizes the limits that are inherent in all systems of internal accounting control. Management believes, however, that through the careful selection of employees, the division of responsibilities and the application of formal policies and procedures, Bethlehem has an effective and responsive system of internal accounting controls.

Bethlehem's independent accountants, Price Waterhouse, examine Bethlehem's financial statements in accordance with generally accepted auditing standards. They express their professional opinion which is shown on the opposite page. This examination includes evaluating our internal accounting control systems to establish the audit scope, testing our accounting records and transactions and performing such other audit procedures as they deem appropriate.

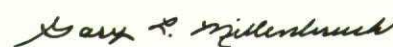
The Audit Committee of the Board of Directors is composed of Bethlehem's eleven non-employee directors, who meet at appropriate times and met three times during 1990. The Audit Committee is responsible for recommending to the Board of Directors, subject to approval by the Board and ratification by stockholders, the independent accountants to perform audit and related work for Bethlehem; for reviewing with the independent accountants the scope of their examination of Bethlehem's financial statements; for reviewing with Bethlehem's internal auditors the scope of the plan of audit; for meeting with the independent accountants and Bethlehem's internal auditors to review the results of their

audits and Bethlehem's internal accounting controls; and for reviewing and approving, as appropriate, all other professional services being performed for Bethlehem by the independent accountants. From time to time, the Audit Committee meets with the independent accountants and with Bethlehem's internal auditors without members of Bethlehem's management being present. The meetings permit the Audit Committee to have private communications with the independent accountants and the internal auditors about the results of their examinations, their evaluation of Bethlehem's internal accounting controls, the overall quality of Bethlehem's financial reporting and any other appropriate topics.

Management believes that the system of internal accounting controls, including Bethlehem's Code of Business Conduct, provides reasonable assurances that (1) business activities are conducted in a manner consistent with Bethlehem's commitment to a high standard of business conduct, and (2) Bethlehem's financial accounting system contains the integrity and objectivity necessary to maintain accountability for assets and to prepare Bethlehem's financial statements in accordance with generally accepted accounting principles.



Walter F. Williams
Chairman



Gary L. Millenbruch
Chief Financial Officer

Five-Year Financial and Operating Summaries

(dollars in millions, except per share and average employment cost data)

Earnings Statistics

	1990	1989	1988	1987	1986
Net sales	\$ 4,899.2	\$ 5,250.9	\$ 5,488.8	\$ 4,620.5	\$ 4,332.9
Operating charges:					
Employment costs	1,752.0	1,731.6	1,824.9	1,773.8	1,763.4
Materials and services	2,683.5	2,768.9	2,736.7	2,298.9	2,271.6
Depreciation	305.7	325.3	333.6	338.9	295.8
Taxes (other than employment and income taxes)	51.3	52.7	54.6	58.5	58.4
Estimated restructuring losses (gains) — net	550.0	105.0	113.0	75.0	(20.0)
	5,342.5	4,983.5	5,062.8	4,545.1	4,369.2
Income (loss) from operations	(443.3)	267.4	426.0	75.4	(36.3)
Financing income (expense):					
Interest and other financing costs	(44.1)	(64.7)	(82.2)	(142.0)	(134.0)
Interest and other income	29.9	55.0	46.8	50.5	30.1
Provision for income taxes	(6.0)	(12.0)	(9.0)	(10.0)	(12.5)
Investment tax credit refund	—	—	10.0	130.0	—
Extraordinary gains	—	—	11.4	70.4	—
Net income (loss)	(463.5)	245.7	403.0	174.3	(152.7)
Dividend requirements for Preferred and Preference Stock	(24.2)	(26.0)	(25.6)	(23.2)	(22.5)
Net income (loss) applicable to Common Stock	\$ (487.7)	\$ 219.7	\$ 377.4	\$ 151.1	\$ (175.2)
Net income (loss) per Common share—primary	\$ (6.45)	\$ 2.93	\$ 5.32	\$ 2.77	\$ (3.37)
—fully diluted	(6.45)	2.86	4.91	2.73	(3.37)
Dividends per Common share	.40	.20	—	—	—
Dividends paid on Common Stock	30.3	15.0	—	—	—

Balance Sheet Statistics

Cash and cash equivalents	\$ 273.5	\$ 530.5	\$ 507.4	\$ 552.0	\$ 463.1
Receivables, inventories and other current assets	929.7	904.7	932.4	919.8	721.1
Current liabilities	(831.4)	(838.0)	(870.1)	(1,155.3)	(940.0)
Working capital	\$ 371.8	\$ 597.2	\$ 569.7	\$ 316.5	\$ 244.2
Current ratio	1.4	1.7	1.7	1.3	1.3
Excess of current cost over LIFO inventory values	\$ 499.1	\$ 498.6	\$ 530.1	\$ 474.0	\$ 538.0
Property, plant and equipment — net	2,796.4	2,916.7	2,871.5	2,943.1	3,207.6
Total assets	4,382.1	4,793.3	4,448.5	4,774.8	4,660.9
Total debt	454.8	480.2	543.3	866.9	1,262.1
Total capital lease obligations	209.0	243.9	278.7	434.6	486.9
Stockholders' equity	1,489.0	2,002.9	1,790.8	1,208.4	849.0
Debt as a percent of invested capital	30.8%	26.6%	31.4%	51.9%	67.3%

Other Statistics

Capital expenditures (including caster project expenditures)	\$ 488.0	\$ 421.3	\$ 303.9	\$ 152.7	\$ 227.8
Utilization of production capability	68.0%	76.1%	80.3%	72.2%	65.1%
Coal production (net tons in thousands)	9,432	9,571	10,606	11,523	10,953
Iron ore production (net tons in thousands)	13,214	13,257	13,061	11,677	8,819
Raw steel production (net tons in thousands)	10,924	12,181	12,855	11,545	10,417
Steel products shipped (net tons in thousands)	8,865	9,779	10,303	9,361	8,470
Pensioners receiving benefits at year end	70,500	70,000	67,400	67,600	67,500
Average number of employees receiving pay	29,600	30,500	32,900	34,400	37,500
Average employment cost per hour	\$ 29.32	\$ 28.79	\$ 27.56	\$ 26.03	\$ 24.10
Common Stock outstanding at year end (shares in thousands)	75,867	75,218	74,590	64,343	52,080
Common stockholders at year end	52,000	55,000	60,000	66,000	72,000

Directors

Directors

Curtis H. Barnette
Senior Vice President,
General Counsel and
Secretary

Herman E. Collier, Jr.
President, Salem Academy
and College

John B. Curcio
Vice Chairman,
Harvard Industries, Inc.

Edwin A. Gee
Former Chairman,
International Paper
Company

William C. Hittinger
Former Executive Vice
President,
RCA Corporation

Thomas L. Holton
Former Chairman,
Peat, Marwick, Mitchell &
Co.

Reginald H. Jones
Former Chairman,
General Electric Company

Winthrop Knowlton
President, Knowlton
Associates, Inc. and
Research Fellow, John F.
Kennedy School of
Government

Robert McClements, Jr.
Chairman and Chief
Executive Officer, Sun
Company, Inc.

Dean P. Phypers
Former Senior Vice President
and Director, International
Business Machines
Corporation

William A. Pogue
Former Chairman and Chief
Executive Officer, CBI
Industries, Inc.

John F. Ruffle
Vice Chairman,
J.P. Morgan & Co.
Incorporated and Morgan
Guaranty Trust Co.
of New York

Walter F. Williams
Chairman and Chief
Executive Officer

Principal Committees of the Board

Audit Committee
Reginald H. Jones,
Chairman
All other non-officer
directors.

Executive Committee
Walter F. Williams,
Chairman
Curtis H. Barnette

*Management Development and
Compensation Committee*
William A. Pogue,
Chairman
All other non-officer
directors.

Finance Committee
Walter F. Williams,
Chairman
All other directors.

Committee on Directors
Dean P. Phypers,
Chairman
All other non-officer
directors.



Board of Directors

Seated, left to right: Winthrop Knowlton,
Reginald H. Jones, Dean P. Phypers,
Curtis H. Barnette. Standing, left to
right: Edwin A. Gee, Herman E. Collier,
Jr., Thomas L. Holton, John B. Curcio,
Walter F. Williams, William A. Pogue,
William C. Hittinger, John F. Ruffle,
Robert McClements, Jr.

Corporate Officers

Walter F. Williams
Chairman
(Chief Executive Officer)

D. Sheldon Arnot
Executive Vice President
(Steel Commercial)

Curtis H. Barnette
Senior Vice President,
General Counsel and
Secretary (Law, Government
and Public Affairs)

John A. Jordan, Jr.
Senior Vice President
(Corporate Development
and Human Resources)

Gary L. Millenbruch
Senior Vice President
(Chief Financial Officer)

Roger P. Penny
Senior Vice President
(Steel Operations)

Lonnie A. Arnett
Vice President and
Controller (Accounting)

Benjamin C. Boylston
Vice President
(Human Resources)

Stephen G. Donches
Vice President (State and
Community Affairs)

Duane R. Dunham
Vice President (Marketing)

George T. Fugere
Vice President
(Operations Services)

James F. Kegg
Vice President (Materials
and Transportation)

John L. Kluttz
Vice President
(Union Relations)

C. Adams Moore
Vice President (Steel Sales)

Andrew M. Weller
Vice President and
Treasurer (Finance)

William E. Wickert, Jr.
Vice President (Federal
Government Affairs)



Executive Staff

Seated, left to right: Roger P. Penny,
Curtis H. Barnette. Standing, left to
right: Gary L. Millenbruch, D. Sheldon
Arnot, Walter F. Williams, John A.
Jordan, Jr.

General Stockholder Information

Annual Meeting

The Annual Meeting of Stockholders of Bethlehem Steel Corporation will be held at 11:00 a.m. on Tuesday, April 23, 1991, in the Gold Ballroom, Hotel du Pont, Eleventh & Market Streets, Wilmington, Delaware. The Notice of the Meeting, the Proxy Statement and the Proxy Voting Card will be mailed to stockholders prior to the Annual Meeting.

Form 10-K

Bethlehem's Form 10-K Annual Report to the Securities and Exchange Commission provides further details concerning Bethlehem's business and other information not contained in the Annual Report. The 1990 Form 10-K will be filed with the Securities and Exchange Commission by March 31, 1991. A copy of Form 10-K may be obtained without charge upon written request addressed to the Secretary, Bethlehem Steel Corporation, Bethlehem, Pennsylvania 18016.

Additional Corporate Information

The Annual Report to Stockholders is only one source of information about Bethlehem available to stockholders and the general public. Quarterly reports are mailed to stockholders about the 10th of March, June, September and December. These reports contain financial results and other news about Bethlehem, and the June report contains a report on the Annual Meeting of Stockholders.

Stock Transfer Agent and Registrar

First Chicago Trust Company of New York is stock transfer agent, registrar and dividend disbursing agent for the Common Stock and Preferred Stock of Bethlehem Steel Corporation. Common Stock Symbol — BS

For prompt assistance on address changes, dividend reinvestment and other general shareholder information, please contact the Telephone Response Center of First Chicago Trust Company of New York at 212-791-6422. When calling, please be prepared to give the Name(s) as it appears on your certificate(s) and your tax identification number. Other requests for information not covered above such as consolidation of multiple holdings or lost securities should be sent to First Chicago Trust Company of New York, 30 West Broadway, New York, New York 10007-2192 (Telephone 212-791-6422).

Stockholder Correspondence

General inquiries about Bethlehem should be made in writing to the Secretary, Bethlehem Steel Corporation, Bethlehem, Pennsylvania 18016.

Dividend Reinvestment Plan

Bethlehem sponsors a Dividend Reinvestment Plan which is offered to stockholders by First Chicago Trust Company of New York. The Plan provides all owners of Common Stock with a simple, convenient and inexpensive way to invest in

Bethlehem Common Stock by the reinvestment of cash dividends when declared and/or the investment of additional cash amounts up to \$3,000 in any calendar month. Among other things, all brokerage commissions incurred in the purchase of shares and costs for administering the Plan will be paid by Bethlehem.

Any Bethlehem stockholder may enroll in the Dividend Reinvestment Plan at any time. Further information with respect to this Plan may be obtained by writing First Chicago Trust Company of New York, Bethlehem Dividend Reinvestment Plan, P.O. Box 3506, Church Street Station, New York, New York 10008-3506 (Telephone 212-791-6422).

Debentures

Morgan Guaranty Trust Company of New York is transfer agent and interest paying agent for the Debentures of Bethlehem Steel Corporation. For assistance or information on Debentures, please contact Morgan Guaranty Trust Company of New York at 212-587-6092.

Independent Accountants

Bethlehem's independent accountants are Price Waterhouse, 153 East 53rd Street, New York, New York 10022.



Bethlehem Steel Corporation
Bethlehem, PA 18016-7699